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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ending February 29, 1992

Commission File Number ~~33-17608-NY~~ (illegible)

PMF INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	13-3421355
(State or other jurisdiction of incorporation)	(IRS Employer Identification No.)

21 Industrial Avenue, Upper Saddle River, New Jersey 07458
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code (201) 818-1855

Indicate by check mark whether the registration (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or of such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

3,480,992 shares of common stock $.0001 par value.

500,000 shares of Class A Convertible Preferred Stock $0.01 par value.

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Part I. Financial Information

Quarter Ended February 29, 1992

GENERAL

The following financial information is submitted in response to the requirements of Form 10-Q and does not purport to be financial statements prepared in accordance with generally accepted accounting principles. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted, although the Company believes the disclosures that are made are adequate to make the information presented not misleading. Further, in the opinion of the management, the interim financial statements reflect fairly the financial position and results of operations for the period indicated.

It is suggested that these interim consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's 1991 Annual Report on Form 10-K for the year ended August 31, 1991, filed with the Securities and Exchange Commission.

The results of operations for the quarter ended February 29, 1992 are not necessarily indicative of results to be expected for the entire fiscal year ending August 31, 1992.

Item 1. Financial Statements

The balance sheet of PNF Industries, Inc. (the Company) as of February 29, 1992, and the related statement of income and changes in financial position and notes thereto are incorporated herein by reference to pages 8 to 26 of the Company's quarterly report.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The Company was organized on July 13, 1987 for the purpose of acquiring or merging with a business. On February 27, 1990, the Company acquired all the issued and outstanding shares of Portafone Cellular Communications, Inc. ("Portafone") in a transaction accounted for as a reverse merger. The results of operations are those of Portafone prior to the acquisition and the combined entity subsequent to the acquisition. On August 6, 1991, the Company acquired 89% of the issued and outstanding shares of No Fire Ceramic Products, Inc. and No Fire Engineering, Inc. ("No Fire"). The results of operations include No Fire's results from the date of acquisition.

Consolidated Financial Statement as of February 29, 1992

Revenues for the quarter ended February 29, 1992 were $221,214 with a net loss of $503,574. Revenues for the quarter ended February 28, 1991 were $221,214 with a net loss of $503,574. Revenues for six months ended February 29, 1992 were $461,898, with a net loss of $1,078,155. Revenues for the six months ended February 28, 1991 were $413,147 with a net loss of $160,184. The increase in loss was in part attributable to the giving effect to certain adjustments, including amortization of patent costs in the amount of $1,049,131 in each year of which approximately $99,084 is amortized monthly. In addition, the net loss for 1991 includes a litigation settlement by No Fire incurred prior to PNF's acquisition of No Fire in the amount of $500,000.

Selling, general and administrative expenses for the quarter ended February 29, 1992 were $231,736 compared to $94,298 in 1991. The increase is due primarily to an increase in commissions on new telephone lines and time sold, additional employees, increased professional fees and bad debt expense. Expenses incurred by virtue of the No Fire acquisition also caused a significant increase in general and administrative expenses for the reporting period. No Fire is in the developmental stage and has yet to profitably produce and ship product in quantity.

Depreciation and amortization expenses in the quarter ending February 29, 1992 were $309,173 compared with $6,930 in 1991. The increases were wholly attributable to the amortization of patent costs included in the acquisition of No Fire.

Liquidity and Capital Resources

As of February 29, 1992 the Company had a working-capital deficiency of $165,268, compared to $538,213 at August 31, 1991. In 1991 the decrease in the working-capital deficiency was caused by the receipt of $570,017 from the exercise of Redeemable Stock Purchase Warrants, and the private sale of restricted shares to certain of the Company's licensees.

At February 29, 1992 the Company had loss from operations of $107,155 and for the year ending August 31, 1991, the Company had cumulative losses of $1,874,279 and management of the Company is of the opinion that in the short term, the Company will continue to show losses from operations. As described in the notes to the Financial Statements, there is concern about the Company's ability to continue as a going concern. In addition to the losses from operations, certain liabilities were incurred as a result of the acquisition of No Fire. The Company guaranteed notes payable of $500,000, which resulted from a settlement with a former licensee of No Fire. In addition, No Fire has an obligation of $1,016,970 to entities owned by Mr. Otis Hastings, Chairman of the Company. The obligations were incurred by No Fire prior to its acquisition

by the Company and included costs for research and development of the No Fire products and filing of patents.

The Company's ability to continue as a going concern is dependent on its ability to raise additional working capital by the infusion of additional equity and to operate profitably.

The available sources of equity financing are as follows: during the six months ended February 29, 1992 217,000 Redeemable Common Stock Purchase Warrants were exercised for which the Company received $661,622 in cash and notes in the amount $640,378.

The Company called for the exercise of all of the then outstanding warrants in February 1992 and by March 27, 1992 the Company received $259,000 cash from the exercise of the remaining warrants. The Underwriter has 3,110 warrants to purchase 3,110 shares of common stock at $6.50 per share. One of the Company's licensees acquired 2,500 shares of common stock at $6.00 per share, subject to the transfer and sale restrictions under Rule 144. This licensee is further obliged to purchase an additional 112,500 restricted shares at $6.00 per share and for which it executed and delivered its promissory note in the amount of $675,000.

A second licensee acquired 5,000 shares in March 1992 at $6.00 per share, subject to the transfer and sale restrictions under Rule 144. This licensee is further obliged to purchase an additional 445,000 restricted shares at $6.00 per share and for which it is expected to execute and deliver its promissory note in the amount of $2,670,000.

During the period September 1, 1991 through February 29, 1992, warrants were exercised for the issuance of 217,000 shares of common stock at $6.00 per share. Since February 1992, an additional 59,833 warrants have also been exercised at $6.00 per share.

On October 10, 1991, the Company's Board of Directors authorized the issuance of 33,333 shares of common stock and issued 500,000 common stock purchase warrants which are exercisable into 500,000 shares of common stock at $6.00 per share to Mr. Alfred P. Avasso in consideration for his forgiveness of $200,000 in debt.

There are also outstanding 500,000 shares of Class A Convertible Preferred Stock convertible into 5,000,000 shares of common stock at $.05 per share. A preferred shareholder has offered to return his certificate for 5,000 shares and it is expected that the Company will retire same.

On December 9, 1991, No Fire signed its first license agreement to utilize the products which have been developed. Among other things the license agreement require the licensee to purchase 115,000 restricted shares of common stock at $6.00 per share which

must be fully paid within a twenty-four month period. In addition to the license agreement already signed, there are several signed letters of intent regarding potential licensing agreements that, when executed, will equire the licensee to purchase shares of restricted stock at a minimum price of $6.00 per share. There can be no guarantee that these licensing agreements will be finalized or in the event that such agreements are finalized that the required stock purchases thereunder will be consummated. Nor is there any guarantee that any of the presently issued and outstanding warrants and/or preferred stock will be exercised. Management believes in the event the Company is not able to raise equity capital in the short term, the Company would be required to significantly curtail its operations in order to continue as a going concern. See Note 14 to the Financial Statements included herein.

Inflation

The rate of inflation has had little impact on the Company's results of operations and is expected to not have a significant impact on continuing operations.

Part II. Other Information

Item 1. Legal Proceedings

On or about September 20, 1991, Dalessio, Thierman & Leben commenced an action in New York County Supreme Court against the Company and the Company's principal shareholder individually. The plaintiff's are the Company's former internal auditors and claim the sum of $43,670.00, plus $50,000.00 punitive damages, against the named defendants. An answer and counterclaim has been filed where the defendants allege acts of professional malpractice and seek damages in the amount of $500,000.00. It is management's opinion that its former accountants were grossly incompetent and that the counterclaim is meritorious.

On or about November 27, 1991, Sidney Kaplan, C.P.A. commenced an action in the Palm Beach County Court for the State of Florida against the Company. The plaintiff, a former external auditor of the Company, seeks damages in the amount of $7,000 plus interest thereon for an alleged failure of the Company to pay a promissory note in such amount due in full on October 22, 1991. The Company has filed its Answer and Counterclaim wherein it alleges specific acts of professional incompetency and malpractice, expects the Complaint to fail and the Counterclaim to prevail.

On February 26, 1992 the Company entered into a Settlement Agreement (the "Agreement") with the law firm of Lester & Weisinger (L&W) who filed a complaint in the Superior Court of New Jersey alleging, among other things, a Company indebtedness of $201,433.

The indebtedness allegedly arose prior to the Company's August 6, 1991 acquisition of No Fire where Otis H. Hastings and companies controlled by him, including the No Fire subsidiaries, borrowed funds and also utilized L&W professional services. The Agreement provides for the repayment of notes aggregating $25,000 in installments through May 1992; payment of an additional $50,000 at the rate of $5,000 per month commencing June 1992; and the issuance of 50,000 warrants to purchase 50,000 shares of common stock at an exercise price of $6.00 per share. The warrants are exercisable at any time after February 26, 1993 up to May 26, 1993 (the "Window Period"). Payment of the notes is guaranteed by Alfred P. Avasso. During the Window Period L&W may "put" all of the warrants to the Company or Mr. Avasso who is/are then obliged to pay L&W the sum of $100,000. During the Window Period the Company and/or Mr. Avasso has the right to "call" the warrants at a price of $2.50 per warrant or a total consideration of $125,000.

An action captioned Datronics Inc. v. No Fire Engineering, Inc., a/k/a No Fire Inc. was filed against the Company in New York Supreme Court, County of Suffolk, for consulting services performed on behalf of No Fire. The action was settled for $1,200.00. Such amount has been accrued as an expense in the financial statements of the Company.

Item 2. Changes in Securities - None

Item 3. Defaults upon Senior Securities - None

Item 4. Submission of Matters to a Vote of Security Holders - None

Item 5. Other Information - None

Item 6. Exhibits and Reports on Form 8-K

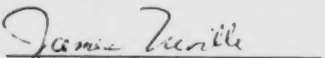
A. Exhibits - None

B. Reports on Form 8-K during the quarter ending February 29, 1992 - None

SIGNATURES

Pursuant to the requirements of the Securities and Exchange act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PNF INDUSTRIES, INC.



JAMES NEVILLE
Executive Vice President and Director
Secretary

Dated this 24th day of April, 1992

PNF INDUSTRIES INC. & SUBSIDIARIES
(Formerly Portafone International Cellular Communications Inc
CONSOLIDATED BALANCE SHEET

	February 29, 1992 (unaudited)	August 31, 1991
CURRENT ASSETS		
Cash and cash equivalents	$240036	$ 18939
Accounts Receivable - net of allowance for doubtful accounts of $41100 and $73106 respectively	236568	271625
Inventory	21450	14450
Notes receivable - Stock	300000	-
Prepaid and Other Current Assets	144522	9197
Total Current Assets	942576	314211
PROPERTY AND EQUIPMENT - Net	48208	49795
OTHER ASSETS:		
Security Deposits	34667	34667
Intangible Assets - Net	17586580	18198038
Other Assets	-	3207
Total Other Assets	17621247	18235912
TOTAL ASSETS	$18612031	$18599918

See Notes to Consolidated Financial Statements

PNF INDUSTRIES INC & SUBSIDIARIES
(Formerly Portafone International Cellular Communications Inc)
CONSOLIDATED BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	February 29, 1992 (unaudited)	August 31, 1991
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 685028	$448289
Current Maturities of long term debt	115000	125000
Current Maturities of Notes Payable - Stockholders	36422	45704
Payroll and other taxes payable	247704	208774
Income Taxes	23690	24557
Total Current Liabilities	1107844	852424
Other Liabilities		
Long Term Debt - Net of current portion	350000	400000
Due to related parties	1016970	1016970
Security deposits payable	10110	4561
Notes Payable - shareholder Less Current Maturities		200000
	1377080	1621531
TOTAL OTHER LIABILITIES	$2480549	$2473955

PNF INDUSTRIES INC & SUBSIDIARIES
(Formerly Portafone International Cellular Communications Inc)
CONSOLIDATED BALANCE SHEET

	February 29, 1992 (unaudited)	August 31, 1991
STOCKHOLDERS' EQUITY		
Class A Convertible preferred stock, par value $.01 authorized 500,000 shares, issued and outstanding 500,000 and 405,000 in 1992 & 1991 respectively	5000	4050
Class B Preferred Stock, par value $.01 authorized 500,000 shares, none issued	-	
Common Stock, par value $.0001 authorized 100,000,000 shares, issued and outstanding 3,480,992 and 3,115,659 shares in 1992 and 1991 respectively	348	311
Additional Paid in Capital	20089571	17995881
Less: Notes Receivable	(1015378)	
Retained Earnings (Deficit)	(3050884)	(1874279)
	16131482	16125963
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$18612031	$18599918

See Notes to Consolidated Financial Statements

PNF Industries Inc. And Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statement of Operations
For Six Months Ended February 29, 1992
And February 28, 1991

(Unaudited)

	1992	1991
Revenues		
Telephone Services	$415945	$349207
Equipment Sales	28713	63940
Other Revenues	17240	-
Total Revenues	461898	413147
Cost of Goods Sold	360516	387178
Gross Profit	101382	25969
Operating Expenses:		
Selling, General and Administrative	539507	172293
Depreciation and Amortization	618141	13860
Total Operating	1157648	186153
Loss from Operations	(1056266)	(160184)
Other Expenses:		
Interest Expense	(21889)	-
Net Loss	($1078155)	($160184)
Net Loss per share	($0.34)	($0.80)
Weighted Average number of shares outstanding	3209270	201000

See Notes to Consolidated Financial Statements

PNF Industries Inc. And Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statements of Operation
For Three Months Ended February 29, 1992
And February 28, 1991

(Unaudited)

	1992	1991
Total Revenues	$221214	$212395
Cost of Goods Sold	175032	202199
Gross Profit	46182	10196
Operating & Expenses:		
Selling, General and Administrative	231736	94298
Depreciation and Amortization	309173	6930
Total Operating Expenses	540909	101228
Loss from Operations	(494727)	(91032)
Other Expenses		
Interest Expense	(8847)	-
Net Loss	($503574)	($91032)
Net Loss Per Share	($0.16)	($ 0.45)
Weighted Average number of shares	3209270	201000

See Notes to Consolidated Financial Statements

PNF Industries Inc. and Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statement of Cash Flows
For the Six Months Ended February 29, 1992
and February 28, 1991

(Unaudited)

	1992	1991
Cash Flows from Operating Activities		
Net Loss	($1078155)	($160184)
Adjustments to reconcile Net Loss to Net Cash Flows From Operating Activities:		
Depreciation and Amortization	61314	13960
Changes in operating Assets and Liabilities		
Accounts Receivable	35057	(93753)
Inventory	(7000)	-
Prepaid Expenses and Other Current Assets	(135850)	2261
Other Assets	3732	
Accounts Payable and Accrued Expenses	236739	133263
Payroll and Other Taxes Payable	38930	94104
Income Taxes Payable	(967)	1302
Net Cash Flow from Operating Activities	(289373)	(9164)
Cash Flows from Investing Activities		
Acquisition of Property and Equipment	(5396)	-
Security Deposits Payable	5549	-
Net Cash Flow from Investing Activities	5453	-

See Notes to Consolidated Financial Statements

PNF Industries Inc. And Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statement of Cash Flows
For the Six Months Ended February 29, 1992
and February 28, 1991

(Unaudited)

	1992	1991
Cash Flows from Financing Activities		
Proceeds from Notes Payable - Stock holder		$16550
Payment of Long Term Debt	(60000)	-
Net Proceeds from issuance of common stock	570017	-
Net Cash Flows from Investing Activities	510017	16550
Net Increase (Decrease) in Cash and Cash Equivalent	221097	7386
Cash and Cash Equivalent - Beginning of Period	18939	9303
Cash and Cash Equivalent End of Period	$ 240036	$16689
Supplemental Disclosure of Cash Flow Information		
Cash Paid during the period for Interest	$ 21889	

Supplemental Disclosure of Non Cash Financial Activities

During the period, the Company issued 95000 shares of Class A Convertible Preferred Stock for services rendered to the Company which has been valued at $95000 and deducted from paid in Capital.

During this period, the Company issued 210,313 shares of common stock at $6.00 per share and received notes in the amount of $1,261,878. In addition the Company issued 33,333 shares of common stock at $6.00 per share in consideration for forgiveness of Debt by a shareholder.

See Notes to Consolidated Financial Statements

PNF Industries Inc and Subsidiaries
(Formerly Portafone International, Cellular Communications Inc)
Consolidated Statement of Cash Flows
For the Three Months Ended February 29, 1992
and February 28, 1991

(Unaudited)

	1992	1991
Cash Flows from Operating Activities		
Net Loss	($503574)	($91032)
Adjustments to reconcile Net Loss to Net Cash Flows from Operating Activities		
Depreciation and Amortization	309173	6930
Changes in Operating Assets and Liabilities		
Accounts Receivable	45481	(25326)
Inventory	(7000)	-
Prepaid Expenses and Other Current Assets	(139790)	-
Other Assets	3732	200
Accounts Payable and Accrued Expenses	89685	70104
Payroll and other taxes payable	8865	48357
Income Taxes Payable	(967)	-
Net Cash Flow from Operating Activities	(194395)	99233
Cash Flows from Investing Activities		
Acquisition of Property and Equipment	(426)	(201)
Security Deposits Payable	5549	-
Net Cash Flow from Investing Activities	$ 5123	($ 201)

See Notes to Consolidated Financial Statements

PNF Industries Inc And Subsidiaries
(Formerly Portafone International Cellular Communications Inc)
Consolidated Statement of Cash Flows
For the Three Months ended February 29, 1992
and February 28, 1991

(Unaudited)

	1992	1991
Cash Flows from Financing Activities		
Payment of Long-term Debt	(60000)	-
Proceeds from Issuance of Common Stock	446840	
Net Cash Flows from Financing Activities	386840	
Net Increase (Decrease) in Cash and Cash Equivalent	197568	9032
Cash and Cash Equivalent Beginning of Period	42468	7657
Cash and Cash Equivalents End of Period	$ 240036	$16689
Supplement Disclosure of Cash Flow Information		
Cash Paid during the year for Interest	$ 8847	

Supplemental Disclosure of Non Cash Financial Activities

During the Period, the Company issued 95000 shares of Class A Convertible Preferred Stock for services rendered to the Company which has been valued at $95000 and deducted from paid in Capital.

During this period, the Company issued 210,313 shares of common stock at $6.00 per share and received notes in the amounts of $1,261,878.

See Notes to Consolidated Financial Statements

PNF Industries, Inc. And Subsidiaries Inc
(Formerly Portafone International Cellular Communications
Notes to Consolidated Financial Statements
As of February 29, 1992

Note 1 - Basis of Presentation and Acquisitions:

PNF Industries, Inc. ("PNF"), formerly known as Portafone International Cellular Communications, Inc. ("PICC"), and prior to that, NFW Capital Group, Inc. ("NFW"), was organized under the laws of the State of Delaware on July 13, 1987.

On February 27, 1990 PNF acquired all of the outstanding common stock of Portafone Communications, Inc. ("Portafone"), and its wholly owned subsidiary Unicell Corporation ("Unicell"). Portafone was incorporated on May 13, 1987 under the laws of the State of New York and is engaged in the business of selling, installing, renting and operating cellular telephones. Unicell is licensed to act as a reseller of cellular services in New York and Massachusetts.

On the effective date of the acquisition, PNF issued 3,921,084 shares of common stock to the former shareholders of Portafone in exchange for all of the shares of common stock of Portafone.

For financial reporting purposes, the acquisition of Portafone has been treated as a recapitalization of Portafone with Portafone being treated as the acquirer of PNF (reverse merger) under the purchase method of accounting for business combinations. Accordingly, the company's historical financial statements represent the results of Portafone for all periods presented and the combined results and financial position of PNF and Portafone from the effective date of the acquisition and thereafter. The cost of the acquisition was based on the fair market value of PNF's net assets on the date of acquisition.

On August 6, 1991, PNF acquired 89% of the outstanding common stock of both No Fire Ceramic Products, Inc. and No Fire Engineering, Inc. (collectively "No Fire"). No Fire is the owner and exclusive holder of certain patents regarding fire retardant products.

On the effective date of this acquisition, PNF issued 2,790,559 shares of common stock to the shareholders of No Fire, Inc. in exchange for 89% of their common stock.

For financial reporting purposes, the acquisition of No Fire has been accounted for by the purchase method of accounting for business combinations, and accordingly, the purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. The operating results of No Fire

are included in the Company's consolidated results of operations from the date of acquisition.

Note 2 - Summary of Significant Accounting Policies:

References herein to the "Company", unless otherwise indicated, are to the combined entity, consisting of PNF Industries, Inc., Portafone Communications, Inc., Unicell Corporation, No Fire Ceramic Products, Inc., and No Fire Engineering, Inc., which resulted from the mergers. References to PNF or No Fire relate to such entities prior to the August 6, 1991 merger.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents -The Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable - The Company has provided an allowance for doubtful account, and shows accounts receivable at its net present value.

Inventory - Inventory consists of cellular telephones and is stated at the lower of cost or market value determined by the first-in, first-out method.

Property and Equipment - Property and equipment, at cost, is being depreciated over the estimated useful lives of the assets ranging from five to seven years using the straight line method.

Intangible Assets - Intangible assets consist of patents and organization costs which are stated at cost. Amortization is provided on the straight-line method over five years for organization costs and seventeen years for patents.

Revenue Recognition - The sale of cellular telephone equipment is recognized when the equipment has been installed and deemed operational. Telephone services include subscriber fees and cellular telephone usage billed on a monthly basis.

Net Loss Per Share - Net loss per share is based on the weighted average number of shares outstanding during the year. When losses are incurred, warrants and convertible securities are not included since the effect would dilute loss per share. Weighted average number of shares outstanding have been adjusted for 50 for 1 reverse stock split on January 25, 1991.

Anticipated Effect of Recently Issued Statements of Financial Accounting Standards - The Company does not expect the effect of recently issued financial accounting standards, when adopted, to have a material impact on its financial position and results of operations.

Note 3 - During the period ended February 29, 1992 the Company issued 115,000 shares of restricted stock at $6.00 per share to a customer pursuant to a licence agreement. As of February 29, 1992 2500 shares have been fully paid for and the balance due of $675,000 is evidenced by a promissory note which will accrue interest upon the Company commencing the shipping of merchandise.

In addition 97,813 warrants have been exercised at $6.00 per share and the common stock has been issued. The Company has received notes for $586,878 due upon the exercise of these warrants. At February 29, 1992 the Company had notes receivable of $1,261,878 for which stock has been issued. Of this total $300,000 of the notes were paid in March 1992 and has been recorded as a current asset. The balance of $961,878 has been recorded as a reduction of stockholders equity.

Note 4 - Property and Equipment:

Property and equipment at February 29, 1992 and February 28, 1991 consists of the following:

	1992	1991
Equipment	$38666	$87723
Furniture and Fixtures	42958	32778
Less: Accumulated Depreciation	81624	120501
Property and Equipment Net	33416	34400
	$48208	$86101

Depreciation expense for the periods ended February 29, 1992 and February 28, 1991 are $6282 and $13860 respectively.

Note 5 - Intangible Assets:

Intangible assets at February 29, 1992

Patent Costs	$18298004
Organization Costs	4154
	18302158
Less: Accumulated Amortization	715578
Intangible Assets -Net	$17586580

Amortization expense for the 6 months ended February 29, 1992 is $611859.

Patent costs of $18,298,004 represents the fair value of patents acquired as a result of the acquisition of No Fire on August 6, 1991. The fair value of the patents was determined by an independent appraisal.

Note 6 - Long-term Debt:

Long-term debt consists of the following:

	February 29, 1992
Note Payable - Greyhound Electronics, Inc. - payable in ten semi-annual installments of $50,000., plus interest at the prime rate, commencing on Feb 1, 1992 with the final installment due August 1, 1996.	$450,000
Note payable - monies advanced to No Fire companies - payable on demand	15,000
Total	465,000
Less: Current	115,000
Total Long-term	$350,000

Maturities of long-term debt are as follows:

Year Ended August 31

1992	$ 65,000
1993	100,000
1994	100,000
1995	100,000
1996	100,000
Total	$465,000

Note 7 - Notes Payable - Stockholders:

Notes Payable - stockholders at February 29, 1992.

Note Payable - Ms Stephanie Cook - due on demand with interest at Chase Manhattan Bank's prime rate plus 1-1/2%	$ 8000
Notes Payable - Mr Otis Hastings - due on demand without interest	28422

Total	36422
Less: Current	36422
Total Long-term	-0-

Interest expense for the periods ended February 29, 1992 and February 28, 1991 on notes payable - stockholders was $21,889 and $-0- respectively.

Note 8 - Payroll and Other Taxes Payable:

The Companies are delinquent in the filing and payment of payroll, sales and excise taxes. Included in the liability on the financial statements are penalties and interest accrued on these taxes through February 29, 1992.

Note 9 - Income Tax Payable:

The Companies have incurred losses since inception and have net operating loss carryforwards for both Federal and State income tax purposes of approximately $4,100,000 which expire principally in the years 2003 through 2007.

The Companies are subject to minimum state and local franchise taxes and Portafone is subject to a state franchise tax based on gross receipts.

The Companies are delinquent in filing and payment of Federal, State and local income taxes and gross receipts taxes. Included in the liability on the financial statements are penalties and interest accrued on these taxes through February 29, 1991. Payments are being currently made against the existing liabilities.

Note 10 - Due to Related Parties:

Prior to the Company's acquisition of No Fire, various companies owned by Mr. Otis Hastings, Chairman of the Company, made advances to and paid expenses for the benefit of No Fire. These entities will be repaid from the proceeds generated by the sale of No Fire products. The amount due to related parties is not expected to be repaid within the next twelve months and no interest is being charged.

Note 11 - Stockholders' Equity:

On January 17, 1990, PNF in its initial public offering, sold 2,449,860 units at $.10 per unit. Each unit consisted of one share of common stock and ten series A Redeemable Common Stock Purchase Warrants which expire August 14, 1993. Each warrant entitles the holder to purchase one share of common stock at a price of $.12 per share. The warrants are callable by the Company on thirty days written notice at a price of $.0001 per warrant.

In addition, PNF issued warrants to its underwriters to purchase 155,500 shares of its common stock. These underwriter warrants are exercisable at $.13 per share commencing one year from the effective date of the offering and for a period of four years thereafter, expiring on January 19, 1995.

On February 27, 1990, PNF acquired all of the outstanding common stock of Portafone and its wholly owned subsidiary, Unicell and issued 3,921,084 shares of its common stock to the stockholders of Portafone in exchange for all of the shares of common stock of Portafone. In addition, PNF issued 378,056 shares of its common stock to one of the principal stockholders of PNF as compensation for effectuating the merger.

On January 25, 1991, the Board of Directors of PNF approved a reverse split of its common stock on a fifty for one basis. All share and warrant amounts in the financial statements have been adjusted to reflect this reverse split.

On January 25, 1991 the Board of Directors of PNF also approved an amendment to the Company's certificate of incorporation which authorized the creation of 500,000 shares of Class A Convertible Preferred Stock, par value $.01 and 500,000 shares of Class B Preferred Stock, par value $.01.

Each share of Class A Convertible Preferred Stock is convertible into common stock on a basis of ten shares of common stock for each share of Class A Convertible Preferred Stock plus a payment of $.05 for each share of common stock issued.

On June 26, 1991, PNF's Board of Directors authorized the issuance of 405,000 shares of its Class A Convertible Preferred Stock to Mr. Alfred P. Avasso in consideration for his forgiveness of interest in the amount of $29,729 due to him for stockholder loans.

On August 6, 1991, PNF issued 2,790,559 shares of its common stock to the stockholders of No Fire in exchange for 89% of the outstanding common stock of No Fire.

On October 10, 1991, the Company's Board of Directors authorized the issuance of 33,333 shares of the Company's common stock purchase warrants to Mr. Alfred P Avasso in consideration for full forgiveness of $200,000 which he had loaned the Company. The warrants are convertible into common stock at an exercise price of $6.00 per share through December 30, 1995.

On January 8, 1992, the Company's Board of Directors approved a five year warrant to be issued to each of four officers of the Company to purchase various amounts of shares of the

Company's common stock at $6.00 per share. The total number of shares exercisable under the warrants is 1,825,000.

On January 8, 1992, the Company's Board of Directors approved the issuance of 95,000 shares of the Company's Class A Convertible Preferred Stock.

The Company issued 115,000 restricted shares of common stock pursuant to a licence agreement.

Through February 29, 1992 341,000 Series A Redeemable common stock purchase warrants have been exercised and the Company has reserved 148,872 shares of its common stock per issuance of remaining outstanding warrants. On February 26, 1992 the Company gave notice to the remaining warrant holders that they had called the warrants and all warrants not exercised by March 27, 1992 would be purchased by the Company for $.0001 per warrant. The Company received $159,000 on the exercise of 26,500 warrants. In addition the Company has reserved 3,110 shares of its common stock for issuance upon the exercise of the underwriters warrants.

Note 12 - Commitments and Contingencies:

Contingencies:

Two former accounting firms utilized by the Company have sued the Company to collect unpaid fees plus $50,000 in punitive damages. The fees, included in accrued expense at August 31, 1991, have been reversed. The Company has countersued in both actions against the former accounting firms. Initial discussions with one of the firms indicated that all fees would be voided.

Invoices for promotional services in the amount of $140,000 have been received by No Fire. These services were alleged to have been provided in connection with the license agreement that No Fire entered into with Grayhound. No Fire disputes these invoices and believes that little or no services were ever performed. Management has elected to accrue a limited amount for work performed.

Note 13 - Option Agreement:

On August 6, 1991, the Company entered into an option agreement to acquire the remaining 11% of the issued and outstanding shares of common stock of No Fire prior to January 6, 1993 provided that:

a) No Fire has generated orders for the No Fire products in the aggregate totalling $20,000,000.

b) The No Fire product has been accepted by its customers

c) No Fire's assets at July 1, 1991 have been independently appraised at a value of not less than $10,000,000

As of December 20, 1991, the requirements of (a) and (b) for exercising the option have not been satisfied.

As consideration for the acquisition of the remaining 11% of the issued and outstanding shares of common stock of No Fire, the Company will issue 344,900 shares of its common stock to the stockholders of No Fire.

Note 14 - Going Concern Uncertainty:

The accompanying financial statements have been presented on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company incurred a net loss of $1,346,455 during the period ended February 29, 1992 and has incurred net losses since inception. As of February 29, 1992 the Company's current liabilities exceeded its current assets by $187,743. In addition, for the period ended February 29, 1992, the Company had negative cash flows from operating activities in the amount of $535,198. These factors created an uncertainty about the Company's ability to continue as a going concern. Management of the Company has developed a plan which will enable it to raise additional funds. The Company signed a license agreement for its No Fire product. The licensee has purchased 115,000 restricted shares of common stock from the Company at $6.00 per share. The licensee has given the Company a note for $675,000 for the common stock issued. The Company has several signed letters of intent from companies interested in obtaining licenses for the No Fire products. Each of the license agreements will require the licensee to purchase shares of common stock from the Company at a minimum purchase price of $6.00 per share.

The Company expects additional funds to be raised through the exercise of the Redeemable Common Stock Purchase Warrants of which $159,000 was received in March 1992.

Upon commencement of the licensing agreements that have been signed, the Company expects to generate sufficient cash flow from operations to enable to pay its liabilities on a current basis and reduce the liabilities included in the accompanying consolidated financial statements.

Management of the Company believes that upon the execution of this plan, substantial doubt about its ability to continue as a going concern will be alleviated.

Note 15 - Subsequent Events/Other Events:

Stock Exchange Listing - On March 18, 1992, the Company was listed on the American Stock Exchange, Emerging Companies Market Place.

License Agreements - On December 9, 1991, the Company signed a license agreement which provides the licensee an exclusive license to utilize the No Fire product in the manufacture of built-in wall safes. In addition to purchasing the No Fire product, the licensee is required to purchase 115,000 restricted shares of the Company's common stock at a price of $6.00 per share.

The licensee also has an option to obtain the exclusive worldwide license to utilize the No Fire product in the manufacture of all other types of safes and file cabinets. If this option is exercised, the licensee is obligated to purchase an additional 325,000 restricted shares of the Company's common stock at a price determined as follows: $6.00 per share if within the first six months of the effective date of the licensing agreement, and at the then current price if within the second six months.

The Company has recently signed a letter of intent with a leading textile entity to create a joint venture utilizing its product with the entity's fabric to cover cable wires.

The Company is in various stages of negotiations with other United States Companies and an Italian entity.

In March 1992, the Company received $30,000 in proceeds from sale of restricted common stock from a licensee who has also agreed to purchase additional stock of 445,000 shares of restricted common stock at $6.00 per share (payment for which will be evidenced by a promissory note). Further, as a condition to the agreement the licensee is obligated to purchase 300,000 gallons annually.

The Company's subsidiaries has many projects in various stages of testing for qualifying as U.L. listing, the main requirement before orders can be fulfilled. Within the next 30 days, it is expected that the Company will ship merchandise to several customers.

The Subsidiary in the telecommunications industry is pursuing another communication system (CT-2) in Massachusetts.

Related Party Transactions - On December 2, 1991, the Board of Directors resolved that in accordance with Section 5.9 of August 6, 1991 agreement, whereby PNF acquired No Fire and Otis Hastings and related entities would be reimbursed $2,400,000 regarding the development of the No Fire patents.

Under the terms of the August 6, 1991 agreement two patents were assigned to the No Fire subsidiaries. Mr. Hastings and related entities will be reimbursed through a 10% fee of adjusted gross sales for all No Fire products until the total obligation is repaid. In addition, the Company will pay a royalty of 25% for all "field of use" patents using the technologies owned by Mr. Hastings or his related entities. This royalty will be in effect until the last expiration date of the patents or 20 years, whichever is the shorter period.

As additional consideration for the use of those patents developed by Mr. Otis Hastings, the Company is authorized to issue 100,000 shares of Class B Preferred Stock, par value $.01 to Mr. Otis Hastings.

One Time Charges - The Company has recorded $50,000 in legal fees which pertain to the prior year but were disputed and not accrued for in the prior periods.